

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-05 NSAE-00 RSC-01 FAA-00 PM-03 H-01 L-02

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10 ACDA-05

SAJ-01 TRSE-00 /080 W

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AMEMBASSY BONN

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

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C O N F I D E N T I A L USBERLIN 2249

E.O. 11652: GDS

TAGS: PFOR, ETRN, WB, GW, US, UK, FR

SUBJECT: PAN AM/BRITISH AIRWAYS DISCUSSIONS ON
BERLIN AIR MATTERS

REF: USBERLIN 2228

1. PAN AM REGIONAL DIRECTOR RUNNETTE PASSED ON TO
MISSION POINTS DISCUSSED DECEMBER 5 WITH BRITISH
AIRWAYS IN LONDON. ON BASIS OF PRESENT
"NEGATIVE RATE OF RETURN" AND ANTICIPATED ON MILLION
DOLLAR LOSS IN YEAR ENDING 31 MARCH 1975, BA ASSERTED
NEED FOR TEN PERCENT FARE INCREASE ABOVE 7.9 PERCENT
PROPOSAL NOW BEFORE CAAS. PAN AM REPS ATTEMPTED
TO DISCOURAGE FURTHER ARE INCREASE BECAUSE MARKET
ELASTICITY WOULD RESULT IN FURTHER DECLINE IN
PASSENGER TRAFFIC. BA TOOK POSITION THAT MARKET
CONTAINS ZERO ELASTICITY. RUNNETTE SAID PAN AM MIGHT
AGREE TO A SLIGHT ADDITIONAL FARE INCREASE BUT
PREFERRED TO KEEP TOTAL PACKAGE BELOW TEN
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PERCENT. RUNNETTE REMARKED THAT NON ONE "DARED

RAISE" POSSIBILITY OF LOWERING FARES TO ATTRACT MORE CUSTOMERS AND IMPROVE LOAD FACTOR.

2. BA ALSO PROPOSED A JOINT APPLICATION FOR ADDITIONAL FRG SUBSIDY ON GROUNDS THAT PRESENT SUBSIDY REPRESENTED DECLINING SHARE OF AIRLINE COSTS. SUBSIDY WOULD BE ON EXISTING PASSENGER TICKET BASIS.

3. PAN AM'S NEW YORK REP SUGGESTED THAT SUMMER SCHEDULE MIGHT BE REORGANIZED ON BASIS OF NON-COMPETITIVE ROUTING IN ORDER TO SAVE CERTAIN DIRECT EXPENSES. FOR EXAMPLE, PAN AM MIGHT HANDLE ALL DUESSELDORF TRAFFIC AND BA MIGHT HANDLE ALL KOELN TRAFFIC, THUS ALLOWING AIRLINES TO CLOSE DOWN DUPPCATE OPERATIONS. RUNNETTE NOT NOW IN FAVOR THIS PROPOSAL IN VIEW OF LABOR PROBLEMS IT WOULD ENTAIL.

4. PAN AM AND BA WILL MEET AGAIN ON THESE MATTERS DECEMBER 18-19 IN LONDON. SILIGMANN

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